

Mr. Brian Oldaker, Director of Reimbursement  
Life Care Centers of America  
3570 Keith Street, NW  
Post Office Box 3480  
Cleveland, Tennessee 37320

Re: AC# 3-LCC-J8 – Life Care Center of Columbia

Dear Mr. Oldaker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**LIFE CARE CENTER OF COLUMBIA**

**COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-LCC-J8**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 17, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Life Care Center of Columbia, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Life Care Center of Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Life Care Center of Columbia dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 17, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**LIFE CARE CENTER OF COLUMBIA**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-LCC-J8

Interim reimbursement rate (1)	\$103.27
Adjusted reimbursement rate	<u>101.01</u>
Decrease in reimbursement rate	\$ <u>2.26</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**LIFE CARE CENTER OF COLUMBIA**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 1999  
AC# 3-LCC-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.16	\$50.88	
Dietary		10.98	9.69	
Laundry/Housekeeping/Maint.		<u>7.26</u>	<u>8.24</u>	
Subtotal	\$ <u>1.41</u>	67.40	68.81	\$ 67.40
Administration & Med. Rec.	\$ <u>-</u>	<u>13.40</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		80.80	<u>\$80.37</u>	78.96
<u>Costs Not Subject to Standards:</u>				
Utilities		3.05		3.05
Special Services		.86		.86
Medical Supplies & Oxygen		2.08		2.08
Taxes and Insurance		2.05		2.05
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$88.86</u>		87.02
Inflation Factor (3.00%)				2.61
Cost of Capital				8.39
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				1.41
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.83</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$101.01</u>

**LIFE CARE CENTER OF COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>		Adjustments		Adjusted <u>Totals</u>
			<u>Debit</u>	<u>Credit</u>	
General Services	\$2,383,975	\$	700 (4)	\$ 12,619 (5)	\$2,340,837
			13,137 (6)	11,517 (6)	
			29,801 (10)	36,007 (11)	
				26,633 (11)	
Dietary	525,911		95,216 (10)	1,954 (6)	522,717
				96,456 (11)	
Laundry	89,744		16,247 (10)	410 (6)	89,132
				16,449 (11)	
Housekeeping	169,390		52,483 (10)	2,223 (6)	169,227
				50,423 (11)	
Maintenance	99,837		1,243 (6)	18,535 (3)	87,558
			31,314 (10)	26,301 (11)	
Administration & Medical Records	677,237		2,583 (4)	25,933 (5)	638,038
			590 (6)	39,015 (6)	
			20,303 (8)	84,709 (11)	
			90,819 (10)	14,909 (11)	
			11,072 (10)		
Utilities	136,869		9,619 (3)	43,148 (11)	145,208
			41,868 (10)		
Special Services	40,957		23,068 (7)	23,072 (6)	40,953
Medical Supplies & Oxygen	136,483	-		14,896 (4)	98,887
				937 (6)	
				263 (7)	
				20,303 (8)	
				1,197 (11)	



**LIFE CARE CENTER OF COLUMBIA**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1998  
 AC# 3-LCC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	98,773	27,082 (10)	28,273 (11)	97,582
Legal Fees	925	136 (10)	146 (11)	915
Cost of Capital	474,285	58,482 (9) 37,104 (10)	143,678 (1) 10,708 (2) 14,015 (11) 2,023 (12)	399,447
Subtotal	4,834,386	562,867	766,752	4,630,501
Ancillary	112,622	5,062 (4)	-	117,684
Non-Allowable	1,909,228	143,678 (1) 10,708 (2) 8,916 (3) 38,552 (5) 64,158 (6) 438,666 (11) 2,023 (12)	22,805 (7) 58,482 (9) 433,142 (10)	2,101,500
Total Operating Expenses	<u>\$6,856,236</u>	<u>\$1,274,630</u>	<u>\$1,281,181</u>	<u>\$6,849,685</u>
Total Patient Days	<u>47,619</u>	<u>-</u>	<u>-</u>	<u>47,619</u>

Total Beds 140

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 674,052	
	Other Equity	4,200,029	
	Nonallowable	143,678	
	Fixed Assets		\$4,874,081
	Cost of Capital		143,678
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Other Equity	56,546	
	Nonallowable	10,708	
	Loan Cost		56,546
	Cost of Capital		10,708
	To adjust loan cost and related amortization		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Utilities	9,619	
	Nonallowable	8,916	
	Maintenance		18,535
	To reclassify expense to the proper cost center and remove cost not related to patient care		
	HIM-15-1, Section 2106.1		
	DH&HS Expense Crosswalk		
4	Accounts Payable	160	
	Retained Earnings	6,391	
	Restorative	700	
	Medical Records	2,583	
	Ancillary	5,062	
	Medical Supplies		14,896
	To reclassify expense to the proper cost center, reverse duplicate posting of expense and properly charge expense applicable to the prior period		
	HIM-15-1, Sections 2302.1 and 2304		
	DH&HS Expense Crosswalk		

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	38,552	
	Restorative		12,619
	Administration		25,933
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304		
6	Nursing	13,137	
	Maintenance	1,243	
	Medical Records	590	
	Nonallowable	64,158	
	Restorative		11,517
	Dietary		1,954
	Laundry		410
	Housekeeping		2,223
	Administration		39,015
	Medical Supplies		937
	Special Services		23,072
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Special Services	23,068	
	Medical Supplies		263
	Nonallowable		22,805
	To adjust special (ancillary) services State Plan, Attachment 4.19D		
8	Medical Records	20,303	
	Medical Supplies		20,303
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Cost of Capital Nonallowable	58,482	58,482
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
10	Restorative	29,801	
	Dietary	95,216	
	Laundry	16,247	
	Housekeeping	52,483	
	Maintenance	31,314	
	Administration	90,819	
	Medical Records	11,072	
	Legal	136	
	Utilities	41,868	
	Taxes and Insurance	27,082	
	Cost of Capital	37,104	
	Nonallowable		433,142
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
11	Nonallowable	438,666	
	Nursing		36,007
	Restorative		26,633
	Dietary		96,456
	Laundry		16,449
	Housekeeping		50,423
	Maintenance		26,301
	Administration		84,709
	Medical Records		14,909
	Legal		146
	Utilities		43,148
	Taxes and Insurance		28,273
	Medical Supplies		1,197
	Cost of Capital		14,015
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**LIFE CARE CENTER OF COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Cost of Capital	2,023	2,023
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>6,211,808</u>	\$ <u>6,211,808</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**LIFE CARE CENTER OF COLUMBIA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-LCC-J8

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>132</u>	<u>8</u>	
Deemed Asset Value	4,637,160	281,040	
Improvements Since 1981	81,704	-	
Accumulated Depreciation at 9/30/98	<u>(610,446)</u>	<u>(3,364)</u>	
Deemed Depreciated Value	4,108,418	277,676	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	258,830	17,494	
Number of Days in Period	<u>365/365</u>	<u>114/365</u>	
Adjusted Annual Return	258,830	5,464	
Return Applicable to Non-Reimbursable Cost Centers	(9,219)	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>8,641</u>	<u>-</u>	
Allowable Annual Return	258,252	5,464	
Depreciation Expense	149,138	3,445	
Amortization Expense	1,748	171	
Capital Related Income Offsets	-	(4,756)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,015)</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	395,123	4,324	\$399,447
Total Patient Days (Minimum 97% Occupancy)	<u>46,734</u>	<u>885</u>	<u>47,619</u>
Cost of Capital Per Diem	\$ <u>8.45</u>	\$ <u>4.89</u>	\$ <u>8.39</u>